

Message Text

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ACTION EUR-12

INFO OCT-01 ARA-06 ISO-00 SP-02 USIA-06 AID-05 EB-07

NSC-05 CIEP-01 SS-15 STR-04 OMB-01 CEA-01 L-03 PA-01

PRS-01 CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 XMB-02

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R 241540Z NOV 76
FM AMEMBASSY ROME
TO SECSTATE WASH DC 1385
TREAS DEPT WASH DC
INFO AMEMBASSY BONN
AMEMBASSY CARACAS
USMISSION EC BRUSSELS
AMEMBASSY LONDON
USMISSION OECD PARIS
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PASS FRB

E.O. 11652: N/A
TAGS: EFIN, IT
SUBJECT: CAPITAL FLIGHT AMNESTY; VENEZUELAN DEPOSIT; EC
LOAN TO ITALY

1. IN TALK WITH TREASATT NOVEMBER 23, BANK OF ITALY DIRECTOR
GENERAL ERCOLANI SAID HE BELIEVED THAT RECENT EXCHANGE CONTROL
TEMPORARY AMNESTY WAS HAVING SOME POSITIVE EFFECT IN ENTICING
REFLOW OF ILLEGALLY-EXPORTED CAPITAL. RATHER HIGH VOLUME OF
RECEIPTS IN EXCHANGE MARKET, ESPECIALLY DURING WEEK OF NOVEMBER
8-12, TENDED TO CONFIRM THIS VIEW. WHILE STATISTICS FROM ITALIAN
EXCHANGE OFFICE WERE NOT YET AVAILABLE, IT SEEMED POSSIBLE THAT
SEVERAL HUNDRED MILLION DOLLARS WOULD BE RETURNED TO ITALY.
DR. ERCOLANI HAD IMPRESSION THAT RESIDENTS WHO WERE REPATRIATING
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SUCH CAPITAL WERE MAINLY SMALL BUSINESSMEN.

2. ERCOLANI SAID THE POSSIBILITY OF DEPOSIT OF FOREIGN EXCHANGE BY VENEZUELAN CENTRAL BANK WITH BOI WAS STILL VERY MUCH UP IN THE AIR. HE HAD BEEN ABSENT DURING RECENT VISIT OF VENEZUELAN PRESIDENT PEREZ, BUT UNDERSTOOD THAT AFTER PEREZ'S RETURN TO CARACAS VENEZUELAN WOULD HAVE SOME FINANCIAL OFFICIAL EXPLORE QUESTION WITH BANK OF ITALY. IF ANYTHING CAME OF THIS IDEA, IT MIGHT BE IN FORM OF FOREIGN CURRENCY DEPOSIT SIMILAR TO THOSE MADE BY IRAN WITH CENTRAL BANKS OF U.K. AND FRANCE, I.E., DEPOSIT MIGHT BE MADE AVAILABLE FOR LATTER PROCUREMENT BY VENEZUELA OF GOODS AND SERVICES FROM ITALY. HOWEVER, THIS WAS BY NO MEANS CERTAIN. ONLY SPECIFIC WHICH VENEZUELAN HAD MENTIONED WAS DESIRE TO EARN 8 PERCENT ON ANY SUCH DEPOSIT. ERCOLANI ADDED THAT ITALIAN INTEREST IN SUCH A DEPOSIT WOULD DEPEND TO CONSIDERABLE EXTENT ON LENGTH OF MATURITY OF DEPOSIT.

3. ERCOLANI COMMENTED UNFAVORABLY ON REPORT FROM BRUSSELS THAT EC MIGHT CONDITION LOAN TO ITALY OF \$487 MILLION (TO OFFSET REPAYMENT OF SAME AMOUNT TO U.K.) UPON CONCLUSION OF IMF STANDBY NEGOTIATIONS. ERCOLANI DID NOT SEE WHY EC SHOULD SUBORDINATE ITS OWN INTERESTS TO THOSE OF IMF. VOLPE

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